

COMMISSIONERS
BOB STUMP – Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

OPEN MEETING ITEM



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ARIZONA CORPORATION COMMISSION

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

DATE: SEPTEMBER 23, 2014

DOCKET NO.: W-01445A-05-0469

2014 SEP 23 AM 9 06

TO ALL PARTIES:

ORIGINAL

Enclosed please find the recommendation of Administrative Law Judge Sasha Paternoster. The recommendation has been filed in the form of an Order on:

ARIZONA WATER COMPANY
(ORDER EXTENDING TIME DEADLINE IN DECISION NOS. 68607, 71475, AND 73220)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

OCTOBER 2, 2014

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

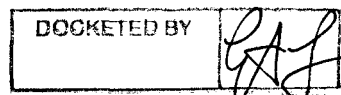
OCTOBER 16, 2014

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

SEP 23 2014



Jodi A. Jerich
JODI JERICH
EXECUTIVE DIRECTOR

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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP – Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF
ARIZONA WATER COMPANY, AN ARIZONA
CORPORATION, TO EXTEND ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY AT CASA GRANDE, PINAL
COUNTY, ARIZONA.

DOCKET NO. W-01445A-05-0469

DECISION NO. _____

ORDER EXTENDING TIME
DEADLINE CONTAINED IN
DECISION NOS. 68607, 71475, AND
73220

Open Meeting
October 16, 2014
Phoenix, Arizona

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the
Arizona Corporation Commission (“Commission”) finds, concludes, and orders that:

FINDINGS OF FACT

1. On March 23, 2006, the Commission issued Decision No. 68607, approving the
application of Arizona Water Company (“AWC” or “Company”) for an extension of its water
Certificate of Convenience and Necessity (“CC&N”). The Decision approved the extension of
AWC’s CC&N to include areas referred to as parcels 1, 3, 4, 5, 6, 7, and 8. Pursuant to Commission
Decision No. 68607, Arizona Water was required to file the following:

- a copy of the Approval to Construct (“ATC”) issued by the Arizona Department of Environmental Quality (“ADEQ”) for the facilities needed to serve each of the parcels within two years of the effective date of the Decision;
- a copy of one developers’ Certificates of Assured Water Supply (“CAWS”) for each of the parcels within two years of the effective date of the Decision; and
- a copy of the fully executed main extension agreements (“MXAs”) for water facilities for each parcel within two years of the effective date of the Decision.

1 2. On February 12, 2007, AWC filed all of the compliance items required for Parcel 6.
2 At that time, compliance items still remained for Parcels 3, 4, 5, and 7.¹

3 3. On January 28, 2008, AWC filed a request for an extension of time, until March 23,
4 2010, to comply with Decision No. 68607. AWC requested an extension of the deadline to obtain the
5 MXAs, ATCs, and CAWS for the remaining parcels.

6 4. On February 19, 2008, the Commission's Utilities Division ("Staff") filed a response
7 recommending approval of AWC's request for an extension of time, until March 23, 2010.

8 5. On March 11, 2008, by Procedural Order, AWC's request for an extension of time was
9 approved for the Company to file copies of the remaining compliance items by March 23, 2010.

10 6. On October 2, 2009, AWC filed a second request for an extension of time, until March
11 23, 2012, to comply with Decision No. 68607. AWC's extension request stated that: additional time
12 was needed due to the housing market decline;² the Arizona Department of Water Resources
13 ("ADWR") had not completed the approval process for the Company's Physical Availability
14 Demonstration ("PAD") application; approval of the PAD is a "precursor" to obtaining a CAWS;
15 and, because the extension area is located within the Pinal Active Management Area ("AMA"),
16 developers cannot plat a subdivision without a CAWS. AWC submitted letters from the current
17 owners of Parcels 3, 4, 5 and 7, showing the owners' continued desire to develop their properties and
18 to receive water service from AWC. AWC further stated that denial of its request to extend the time
19 deadline would be harmful to a recovery of the housing market in the area.

20 7. On November 27, 2009, Staff filed a response to AWC's second request for an
21 extension of time to comply with Decision No. 68607. In its response, Staff expressed concerns over
22 both the number of times AWC had requested that the time deadlines be extended and the length of
23 time to comply. Nonetheless, Staff recommended granting AWC's request based on the
24 Commission's recent discussions regarding the length of extension requests. According to Staff, in
25

26 ¹ Decision No. 68607 did not require any compliance items for Parcel 1. The Decision granted an Order Preliminary for
27 Parcel 8, and AWC was required to obtain a consent, franchise, or permission from the City of Eloy, within one year of
the date of the Decision. AWC was unable to satisfy the requirement for Parcel 8 and the Order Preliminary became null
and void.

28 ² AWC's request noted that housing permits had dropped from an annual peak of 11,371 in 2005 to 3,104 in 2008, for
single family residences issued in Pinal County.

1 deciding whether a request for an extension of time should be granted, the Commission would
2 consider the condition of the housing market and recession; the need to comply with state agency
3 requirements; the need for long-term planning; and the complexity of the issues involved in the
4 request for an extension of time.

5 8. On January 26, 2010, the Commission issued Decision No. 71475 and found that
6 AWC had filed a timely request for an extension of the time deadlines contained in Decision No.
7 68607. Based on the following: the recent housing market decline; the current economic recession;
8 the length of time needed for developers and utilities to meet state agency requirements; and the
9 continuing desire expressed by property owners in the extension area to have AWC provide water
10 utility service in the extension area, the Commission granted AWC an extension of time, until March
11 23, 2012, to comply with Decision No. 68607.

12 9. On October 5, 2011, AWC filed a third request for an extension of time until March
13 23, 2014, to file the required documentation as required by Decision Nos. 68607 and 71475 for
14 parcels 3, 4, 5 and 7.

15 10. On December 25, 2011, and February 28, 2012, the Company filed two addendums to
16 its third request for an extension of time to comply with Decision Nos. 68607 and 71475 and
17 included copies of letters from property owners or their representatives who expressed their
18 continued desire for service to their properties by AWC.

19 11. On April 26, 2012, Staff filed its response to the Company's continuing request for an
20 extension of time to meet the Commission's compliance requirements for parcels 3, 4, 5, and 7, as
21 discussed herein, and noted the ongoing problems associated with real estate development in Arizona.

22 12. Staff, in its response, related that AWC had obtained the approval of the Arizona
23 ADWR for a PAD for the Company's Pinal Valley system (which includes parcels 3, 4, 5, and 7).
24 The Company described the PAD as "an important precursor to, and a necessary requirement for
25 obtaining a CAWS" and stated that, in conjunction with ADEQ's approval, the combination
26 represents sufficient compliance on the CAWS condition reflected in Decision No. 68607.
27 Additionally, the Company provided letters from property owners in parcels 3, 4, 5, and 7 reiterating
28 their requests for service and their intent to develop within the approximate timeframe of the

1 requested extension.

2 13. On June 5, 2012, the Commission issued Decision No. 73220 which approved AWC's
3 request for an extension of time, until March 23, 2014, to file compliance items pursuant to Decision
4 No. 68607. Based on Staff's analysis of AWC's ongoing efforts to proceed with the extension of its
5 CC&N during a severe economic downturn, the Commission granted AWC additional time to
6 provide the required copies of the MXAs, ATCs and CAWS for parcels 3, 4, 5 and 7.

7 14. On March 10, 2014, AWC filed its fourth Request for Additional Time for
8 Compliance Filing ("Request"). The Request seeks an extension of time until March 23, 2016 to
9 comply with Decision No. 68607. The Request states an extension of time is needed due to the
10 severe economic conditions that continue to batter the Arizona real estate market, resulting in the
11 delay of residential and mixed-use development. The Request also included six letters from property
12 owners or property owner representatives, documenting their continuing desire to obtain water
13 service from AWC.

14 15. On July 1, 2014, AWC docketed a Supplement to Request for Additional Time for
15 Compliance Filing. The filing included the final two ownership letters relating to the extension area.

16 16. On July 9, 2014, Staff filed a memorandum stating that it does not object to AWC's
17 request for an extension of time, until March 23, 2016, to comply with Decision No. 68607. Staff
18 stated that it recommends the time extension be granted given the difficult development landscape
19 that has existed in Arizona and the property owners' continuing request for service.

20 17. Based on the letters from 100 percent of the property owners in the extension area
21 demonstrating a continuing need for service and the effect of the economy on development in the
22 extension area, we find AWC's request for an extension of time to comply with Decision No. 68607
23 is reasonable and should be granted.

24 **CONCLUSIONS OF LAW**

25 1. Arizona Water Company is a public service corporation within the meaning of Article
26 XV of the Arizona Constitution and A.R.S. §§40-281 and 40-282.

27 2. The Commission has jurisdiction over Arizona Water Company and the subject matter
28 of the request for an additional extension of time to comply with Commission Decision No. 68607.

3. Arizona Water Company's request for an extension of time, until March 23, 2016, to comply with the requirements outlined in Decision No. 68607, is reasonable and should be granted.

ORDER

IT IS THEREFORE ORDERED that Arizona Water Company's deadline to comply with the compliance requirements initially set forth in Commission Decision No. 68607, and modified by Decision Nos. 71475 and 73220, as discussed herein, shall be extended to March 23, 2016.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____ 2014.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
SP:ru

1 SERVICE LIST FOR: ARIZONA WATER COMPANY

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